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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER

Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA

Division Director

September 25, 2014

Kevin Baugh
Tar Sands Holdings II, LLC
6445 South Wasatch Boulevard, Suite 105
Salt Lake City, Utah 84121

Subject: Notice of Violation, Tar Sands Holdings II LLC, Asphalt Ridge 2 Mine, M/047/0032, Uintah County, Utah

Dear Mr. Baugh:

The Division of Oil, Gas and Mining is issuing a notice of violation (enclosed) to Tar Sands Holdings II (TSHII), as the operator of the Asphalt Ridge 2 mine (M/047/0032), for these two reasons: First, unauthorized activities occurring outside the permit boundaries, and second, an insufficient surety for the current permit. Under this notice of violation, TSHII may not undertake any future mining operations outside of its permit area. To abate the violation, TSHII must do the following.

First, TSHII needs to accept responsibility for the lands disturbed by the preceding operator lying outside the M/047/0032 permit by either reclaiming that land or amending its permit to include that land. It is evident that TSHII's predecessor, Crown Asphalt Ridge LLC (Crown), operated outside its permit area and inside the Uintah County Road Department's permit area as defined in the M/047/0022 permit. Crown's activities were unauthorized, and any successor who wishes to operate the mine, has a duty to take responsibility for the disturbed areas.

Second, TSHII needs to increase the reclamation surety for those lands within the current boundaries of its permit. The Division conditionally approved TSHII's Notice of Intention for the Asphalt Ridge 2 mine on April 23, 2014. One condition was that TSHII must increase the reclamation surety. The surety currently held is \$302,000. Based on TSHII's estimates, the required surety amount for the area is \$683,000 for the land currently within its M/047/0032 permit. An increase of \$381,000 is required, and the Division may, after a thorough review of the mine and the estimate, change the required amount. Please increase your surety by \$381,000 by no later than November 30, 2014. Please contact Penny Berry at 801-538-5291 or by email at pennyberry@utah.gov for further information about submitting the increased surety.

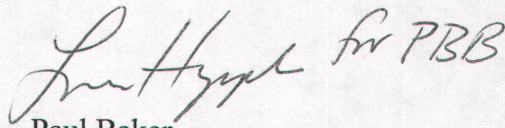


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The Division recognizes that TSHII and Uintah County have been in negotiations concerning which party should accept reclamation responsibility for which areas, and the Division encourages these discussions to continue.

Please contact April Abate at 801-538-5214 or me at 801-538-5261 if you have questions regarding this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Baker for PBB".

Paul Baker
Minerals Program Manager

PBB: eb

Enclosures: Figure 8 Asphalt Ridge NOI
Road Permit Figure
Notice of Violation

Cc: Jon Stearmer, Uintah County
Denise Dragoo, Snell and Wilmer

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